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Circular From WOE

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Notification of side agreements to the Lloyd's Open Form (LOF) salvage agreement

Owners and their hull and machinery (H&M) underwriters are increasingly entering into agreements that run parallel to the Lloyd's Open Form (LOF) and Special Compensation P&I Cover clause (SCOPIC), with a view to managing their exposure to costs that may arise under LOF Article 13.

In certain circumstances these agreements, known as "side letters" or "side agreements", can affect the operation of the SCOPIC clause either directly or indirectly and therefore compromise P&I cover.

Members should notify the Club of any side-agreements that vary the provisions or terms of the LOF before a commitment to issue security is made. The Club will be able to assess the implications of such agreements and clarify whether P&I cover might be compromised.

Please note that the Salvage Arbitration Branch at Lloyd's (SAB) also require to be immediately notified of any side letter/side agreement that is attached to the LOF and provided with a copy of the applicable agreement. The SAB will in turn attempt to notify all contracting parties with an interest in the casualty that an agreement has been attached to the LOF, but will not disclose its contents.

Source of Information: West of England P&I Club